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14 July 1960

CURRENT INTELLIGENCE WEEKLY SUMMARY



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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****14 July 1960****PART I****OF IMMEDIATE INTEREST****DEVELOPMENTS IN SOVIET FOREIGN POLICY**

In a series of threats and warnings during the past week Khrushchev has intensified the Soviet campaign to discredit American leadership in the free world and encouraged rifts within the Western alliance. Moscow's stiffening attitude toward the West suggests that Soviet leaders feel the US election period allows considerable latitude in pressing their anti-American campaign.

Germany

The Soviet premier concluded his visit to Austria on 8 July by threatening to "consider" signing a separate peace treaty with East Germany if Bonn holds its annual Bundestag session in Berlin this fall. Khrushchev's primary aim probably is to force West Germany into a position of either backing down from this established practice or accepting the responsibility for provoking a new and dangerous crisis. Expectations of Western disunity and of divergencies between Bonn and Berlin on the question probably are a major factor in Khrushchev's calculations.

Khrushchev may be using the new threat to dispel Western speculation that he is seeking a way out of his commitment to change the status of Berlin. He also probably hopes to make it clear that his pledge to maintain the status quo during the six to eight months he en-

visaged before a new summit is conditional on Western willingness to refrain from "provocative actions."

Cuba

In a speech on 9 July to a teachers' congress in Moscow, Khrushchev departed from a report of his Austrian visit to project the USSR into the Cuban situation and inflate the issue into a major international question. Khrushchev resorted to a familiar Soviet political warfare device of implying strong Soviet counter moves in a hypothetical situation, but without actually committing the USSR to a specific course of action. After charging the United States with economic aggression and plans for armed intervention, Khrushchev stated that "figuratively speaking, Soviet artillery, in the event of necessity, can with their rocket firepower support the Cuban people if the aggressive forces in the Pentagon dare begin intervention against Cuba."

As in past cases of such calculated ambiguity, Khrushchev began to soften the implications almost immediately.

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In his press conference on 12 July Khrushchev merely promised Soviet "support" in the event of aggression toward Cuba.

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Moscow is apparently maneuvering to be in a position for Khrushchev to claim, during his forthcoming visit to Havana, that the USSR compelled the US to abandon plans for armed intervention. The Soviet premier's participation in the dispute may also be the propaganda groundwork for an arms agreement between Castro and the bloc. Soviet propaganda coverage of the Cuban situation reached a record high in the week ending 10 July.

The RB-47

Almost immediately following Khrushchev's statements on Cuba, Soviet Foreign Minister Gromyko on 11 July handed notes to the US, Britain, and Norway protesting the alleged intrusion of an American RB-47 over Soviet territorial waters and stating that the USSR had shot it down on 1 July. The notes emphasized that the incident substantiated the Soviet Government's claim that the US, with the aid of its allies, was continuing "to proceed on the same path" which led to the breakup of the summit conference and endangered world peace. Moscow also used the incident to cast doubt on the President's statements in Paris that flights over the USSR had been suspended.

The move may have been timed for maximum impact on the 12 July British parliamentary discussions of the issue of control over US bases in Britain. The notes warned that failure of America's allies to refuse further participation in these incidents would bring "great danger on the peoples of

those countries." Moscow warned that British involvement would not only block any further improvement of Soviet-British relations along the lines of the Khrushchev-Macmillan communiqué in 1959, but could undo the "good results achieved in that direction."

Norway was charged with "incomprehensible lightheartedness" in appraising the consequences of US policy for the "cause of peace and Norway in particular."

In his press conference on 12 July Khrushchev charged that the United States and its allies were "openly provoking a serious military conflict." He took pains to impart a sense of urgency to the question of US bases.

He explained that the USSR had refrained from carrying out Marshal Malinovsky's threat of instant retaliation against the bases of intruding aircraft only because the plane had been intercepted in the initial stage of penetration. He warned, however, that Malinovsky's statements were still valid, and added later that "spy planes" would be shot down and the warning of the minister of defense would be put into effect should U-2 flights be resumed.

The Kremlin lost no time in calling for a UN Security Council meeting to consider formal Soviet charges on the RB-47 incident. The Soviet move on 13 July followed the general lines of the USSR's complaint on the U-2 incident. In his press conference, Khrushchev dismissed

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the possibility of obtaining successful results, but emphasized that the action was necessary to "expose" the Security Council.

The prospect of an early trial for Francis Powers, announcement of plans to try the crew of the RB-47, Soviet ac-

tion in the UN on the RB-47 incident, and Khrushchev's strong alignment with Cuba all point to continuing vigorous agitation by Moscow to sustain its charges that the United States is to blame for the deterioration of the international situation.

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CUBA

The immediate response among Castro followers to Khrushchev's declaration of support for the Castro regime on 9 July was fast and enthusiastic. "Che" Guevara told the 10 July rally, called to protest US "acts of economic warfare" against the regime, that "today Cuba is a glorious island defended by the rockets of the greatest military power in history. We are practically the arbiters of world peace."

In contrast, Fidel Castro, in his sickbed talk to the nation, recognized Khrushchev's "spontaneous" declaration of support, but added that "Cuba does not depend for the defense of its sovereignty and independence on Soviet rockets, but rather on the reason and justice of its cause." Three days later Guevara publicly stated that if the Soviet Union attempts to establish Cuba as a Soviet satellite, "We will fight it to the last drop of blood."

President Dorticos, in his bitter anti-US harangue at the Sunday rally, announced Soviet

willingness to take the sugar cut from Cuba's 1960 US quota. Moscow is apparently prepared to take whatever quantities are considered politically expedient. Barter arrangements for the sugar, necessitating stepped-up exports of Soviet goods to Cuba, would further strengthen Soviet-Cuban economic ties.

The American Embassy believes most educated Cubans oppose Castro's alignment of his country with the Soviet bloc, although opposition is still unorganized and leaderless. Despite the blustering statements by Cuban officials assuring the public that the regime can, with Soviet help, survive "the economic onslaught of US imperialism," some are worried. A reliable contact of the embassy's agricultural attaché reports that Castro's ministers of economy and commerce fear the US may embargo food shipments to Cuba. This, they reportedly fear, would create a "dangerous" situation in Cuba, worse than the impending shortage in farm and industrial machinery parts.

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The trends in Cuba continue toward tighter dictatorship and enhanced Communist influence. The offices of the Havana Bar Association were seized, and on 8 July pro-Castro lawyers named a new governing board, thus "decisively incorporating the legal profession into the revolution." At about the same time, all provincial-level officers of the powerful Communist-dominated Cuban Labor Confederation (CTC) were replaced by "men who truly respond to the revolutionary moment in

which the country now lives." The CTC is the regime's chief instrument of control over labor.

The Castro regime is believed to be considering the appointment of Carlos Rafael Rodriguez, a high Communist leader and director of the party's daily, as minister of finance to replace the compliant but ineffective incumbent, Rolando Diaz Asterain. Rodriguez has long been among Castro's closest advisers.

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LATIN AMERICAN REACTION TO CARIBBEAN TENSIONS

The major Latin American countries are taking an increasingly active interest in Caribbean tensions. Venezuelan charges of Dominican "aggression" by involvement in the 24 June attempted assassination of President Betancourt evoked a unanimous vote--barring the parties involved--in the Organization of American States (OAS) for a meeting of foreign ministers under the mutual defense treaty, an unprecedented step. Khrushchev's missile threat and Cuba's drive for a UN Security Council debate have startled many Latin American governments out of aloofness toward the Cuban problem. The majority now is tending to favor formal inter-American consideration of this issue, although several are inclined to be fainthearted. supporters at best of the United States in any US-Cuban dispute.

The unanimous vote on 8 July of the OAS Council to call a meeting of American foreign

ministers probably reflects a strong presumption of Trujillo's guilt and some backing for Betancourt's position that the Dominican Republic must be considered before Cuba in the OAS. Panama, the United States, Mexico, Uruguay, and Argentina were appointed to a committee to investigate the charges immediately. The strongly pro-Castro Venezuelan foreign minister told US Ambassador Sparks that Venezuela will insist on all sanctions except armed action provided under Article 8 of the Rio treaty, including breaking diplomatic and consular relations. He claimed that eight Latin American countries which have no diplomatic representation in the Dominican Republic would not consider a mere withdrawal of ambassadors adequate.

Certain key Latin American governments now believe the Castro regime should be considered a hemisphere problem. Colombian President Lleras Camargo

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believes that OAS action against Trujillo will set a precedent for action against Castro. Peru has suggested a further meeting of foreign ministers to consider threats to the OAS and to "American democratic principles."

The right-wing leader of Bolivia's government party warned that no Latin American country would speak out strongly against Castro, since all "felt grateful to him for having awakened the United States to Latin American realities." Bolivia is nevertheless expected to

take a reasonably firm stand against Soviet intrusion in American affairs. Even Mexico--for many years the most "independent" of the Latin American countries in foreign policy--now will, according to press reports, support OAS consideration of US-Cuban problems. Most of the smaller Latin American countries have for some time tended to the view that the Cuban regime poses a major problem for most American countries.

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THE REPUBLIC OF THE CONGO

The Congo Government's appeal to the UN for aid in restoring order, together with its denunciations of Belgian intervention, have moved the new state's internal troubles into the international political arena. The UN Security Council on 14 July decided to assemble a police force from African countries to restore order in the Congo. Departure of Belgian troops following the arrival of the UN force would remove a major irritant between the Congolese and Europeans. The situation in the Leopoldville area, however, remains critical. An imminent food shortage, together with the failure of many Congolese to receive salaries from employers who have fled, could lead to civilian rioting. The first known instance in which Congolese civilians initiated attacks on Europeans occurred near Leopoldville on 12 July.

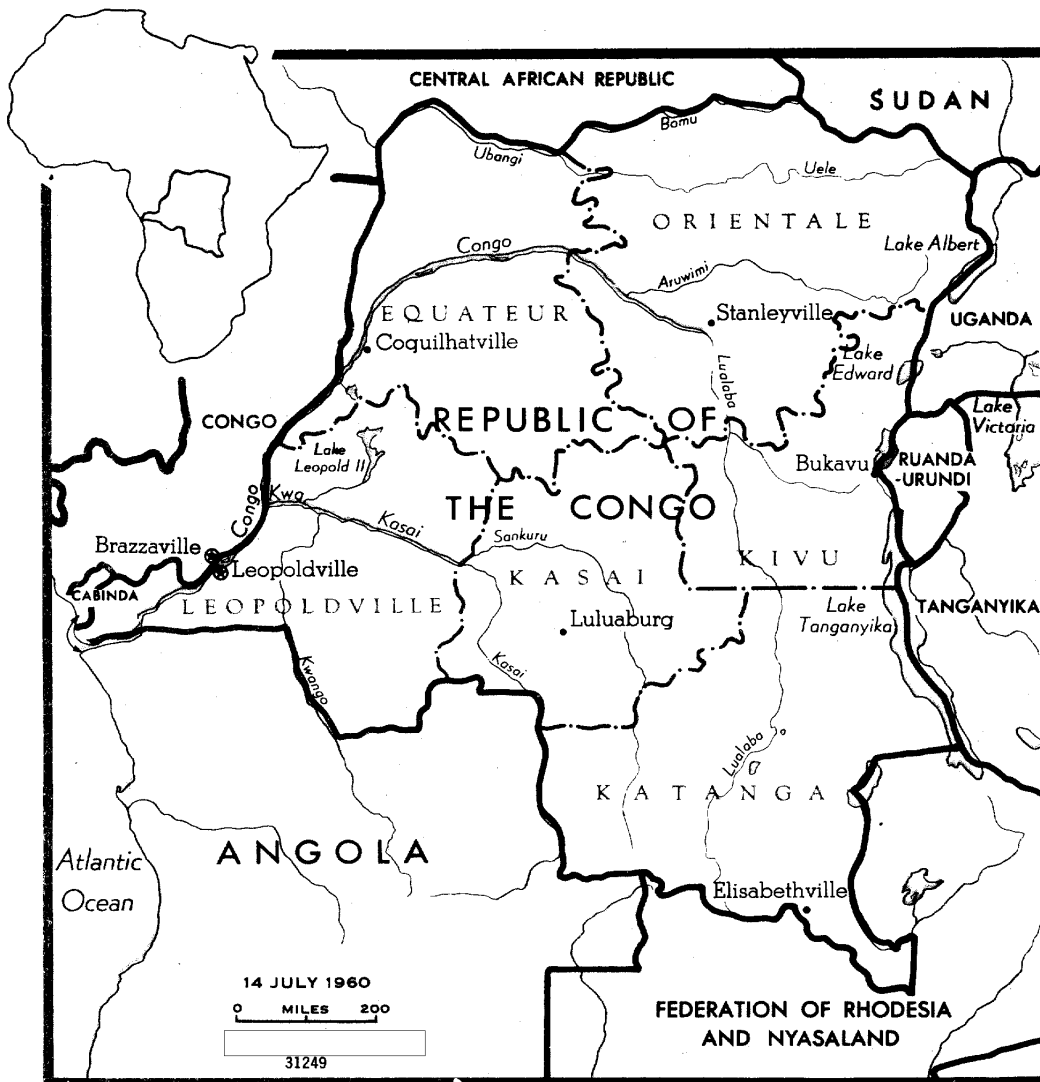
On the same day, in a clash with mutinous units of the Force Publique at Matadi, Belgian forces were checked and one or more of their supporting aircraft shot down. Reinforcements were flown to Leopoldville on 13 July, and occupied sections of the city following brief clashes with the mutineers. The city was quiet on 14 July, and in view of the UN action it was not clear whether Brussels would carry through with earlier plans to reinforce still further its troops in Leopoldville Province.

Premier Patrice Lumumba has renewed demands for the withdrawal of Belgian forces. Although Lumumba's leftist information minister charged on 13 July that "Belgium has declared war on us," the government seems sharply divided on the question of how to meet the present crisis. In contrast to Lumumba, Foreign Minister Bomboko has avoided

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anti-Western pronouncements and has favored Belgian intervention in view of the breakdown of the Congo's own security forces.

Elsewhere, a Ghanaian offer to send troops--either directly or as part of a UN contingent--was publicly accepted by the Congo on 13 July. Prime Minister Nkrumah, who has high hopes that the Congo under

Lumumba will support Ghana's militant pan-African policy, has already sent to Leopoldville a special mission, including two army officers and the head of Ghana's Bureau of African Affairs.

In Katanga Province, provincial Premier Moise Tshombé has hedged somewhat his 11 July proclamation of an "independent"

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Katanga, observing that the provincial legislature is merely "examining the situation." In the absence of Belgian recognition of Katanga's independence, Tshombé may wish to retain some freedom of action in case the Lumumba government should fall.

Despite Belgian Premier Eyskens' pledge to respect the Congo's independence and to continue economic aid, the Belgian Government's position on an independent Katanga is ambiguous. Elements among the Liberals and right-wing Social Christians in the cabinet regard the secession movement as providing an opportunity for Belgium to protect its extensive financial interests in Katanga Province. The American Consulate in Elisabethville believes that Belgian officials in Katanga may be quietly abetting Tshombé.

The USSR and other bloc countries have strongly sided with the Congolese and have por-

trayed the situation as the natural result of decolonization. Following Khrushchev's denunciation of Brussels' dispatch of troops to the Congo to restore order, the USSR on 13 July issued a statement accusing the US, the UK, Belgium, France, and West Germany of seeking to "liquidate" the new Congo state through direct military action and under cover of the UN. In the UN Security Council, Soviet delegate Sobolev backed the Tunisian resolution authorizing UN assistance and insisted that the clause calling for the withdrawal of Belgian troops be retained. In supporting Lumumba's charges of Belgian "aggression," Moscow probably hopes to further its pose as the protector of newly independent African states.

Pravda, alleging a "monstrous conspiracy of the colonizers" against the young African republic, predicted on 13 July that the forthcoming visit of Premier Khrushchev to African would be marked by increased Soviet-African understanding.

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PART II**NOTES AND COMMENTS****JAPAN**

The Japanese Diet will probably designate Hayato Ikeda as new prime minister following his election on 14 July as president of the ruling



IKEDA

Liberal-Democratic party (LDP). He is expected to form a new government and to prepare for general elections--anticipated for late fall or winter--which he hopes will provide him with long-run control of the government and party.

Attempts to establish a strong conservative government will be hampered by continuing factionalism within the LDP, which has been intensified by the drive to unseat Prime Minister Kishi, by the month-long wrangle over choosing his successor, and by preparations among his rivals for a new test of power after the election. Leftists have launched a widespread propaganda offensive in rural strongholds of conservative strength and against US bases to take advantage of LDP complacency.

Ikeda is considered a strong leader, but he does not have dynamic popular appeal. His possible heavy-handed approach in controlling party factionalism may antagonize other party leaders. Ikeda, like Kishi, is associated with the bureaucracy, and his election is a disappointment to a large number of LDP members who had hoped for a career politician as the new party leader. Now 60, Ikeda has spent most of his 35-year career in the field of finance, having served since June 1959 as minister of international trade and industry in the third Kishi cabinet.

Ikeda is professedly pro-Western and militantly anti-Communist but is likely to be less effective in continuing Kishi's close cooperation with the United States. He may try to establish economic relations with Communist China in an effort to mollify the Socialists and LDP dissidents and to divert attention from domestic political issues. Last January he stated that following ratification of the US-Japanese security treaty Japan should actively seek an accommodation with Peiping. For fear of inviting renewed attacks, his government may also be slow to implement various administrative agreements under the new security treaty.

Before resigning, the Kishi government took a first step toward forestalling participation by unionized government workers in future political strikes by announcing dismissal, suspension, or pay cuts for leaders and members of the postal and railway

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workers' unions who took part in recent demonstrations. The Supreme Court is expected to rule on 20 July on ordinances relating to demonstrations; conflicting lower court rulings have so far rendered the ordinances ineffective. However, the absence of strong public reaction against the recent violence and illegal strikes, and public aversion to strong police powers, will hinder government efforts to prevent further disruption by a well-organized leftist minority.

LDP leaders are faced with widespread complacency among conservatives and with a failure of the party thus far to present its case clearly to the electorate through an adequate public relations campaign. Lulled by early July victories in gubernatorial elections in Aomori and Saitama prefectures, party members appear to be taking it for granted that their support in rural areas will continue.

The leftists on the other hand are mounting an intensive propaganda campaign to increase their strength in the traditionally conservative small cities and farm areas. They interpret their success in the recent demonstrations as a major gain in the formation of a wide popular front under Communist direction and are seeking to broaden their support before the general election. They concede privately that their defeats in Aomori and Saitama reflect the strong aversion

among most Japanese, especially outside the larger cities, to the leftist policy of violence.

One of the most important new leftist propaganda organizations formed to overcome conservative opposition is a "get-to-the-people" movement called Kikyo-Undo, which is composed of leftist students, teachers, and other intellectuals who participated in recent demonstrations. Members returning to their home towns during the summer academic recess are expected to press leftist convictions on their rural neighbors in a major effort to penetrate the strongholds of conservative support. In addition, officials of the Japanese Socialist party decided on 8 July to send teams of party leaders and speakers throughout the country in July and August.

Extreme leftists are increasing pressure against the continuing presence of US forces in Japan. The demonstration on 10 July against an American base at Atsugi centered on the charge that U-2 planes had been based there. The Council Against Atomic and Hydrogen Bombs, which often follows the Communist line, announced on 13 July that it would demand government inspection of US bases and negotiation for withdrawal of US forces. Prospects for long-range success of the pro-Communist program will be enhanced if the conservatives continue, as in the past, to make little effort to present their case. 25X1

FRANCE-ALGERIA

De Gaulle's speeches during his 6-10 July tour of Normandy appear to have reinforced the French public's optimism concerning the possibility of an

early end to the fighting in Algeria and the application of his self-determination formula. In fact, however, while some rebel leaders had reportedly

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hoped the President's speeches in Normandy would produce concessions, his remarks did not include anything likely to help break the present deadlock in cease-fire negotiations with the rebels.

The Algerians expect negotiations to be resumed, but insist that the initiative must come from De Gaulle. Rebel Premier Ferhat Abbas reportedly has left for a vacation in Switzerland and hopes the French will approach him there.

The rebels' preconditions for new negotiations reportedly emphasize French recognition of their "equality" as negotiators, although not recognition of the provisional government itself. In effect, they insist that substantive negotiations must be arranged by mutual agreement and not on French terms. Rebel moderates are said to be willing to dispense with another advance party and to send a substantive delegation headed by Abbas if an accommodation can be reached on procedural matters.

During his speaking tour, De Gaulle spelled out for the first time some details of the solution he prefers. In particular, he said that after the fighting stops he wants "all the Algerians" to return home and to "renew contacts with each other" before deciding on their country's future. He also noted that an "Algerian Algeria" would involve creation of separate legislative and judicial institutions--a touchy point with French rightists.

De Gaulle reportedly may also move ahead rapidly to organize previously elected Algerian officials into study commissions to lay the basis for new Algerian institutions, leaving the rebels on the sidelines of political discussions as long as they delay a cease-fire.

Although De Gaulle may have been trying in his Normandy speeches to prepare French public opinion for some of the realities of an Algerian solution, his unilateral pronouncement on a topic previously designated for bilateral discussion--the future of the combatants--is likely to annoy the rebel leaders.

A group of rightist extremists--consisting of former Poujadists, "ultras" from the Independent party, right-wing Algerian parliament members, and a few army officers--on 8 July established an organization calling itself the National Front for French Algeria (FNAF). This group has publicly attacked the De Gaulle regime for "treason and abandonment" and apparently hopes to displace Jacques Soustelle's multiparty group as the champion in metropolitan France of a French Algeria.

The FNAF already has the approval of another group, the French Algerian Front (FAF), which has mushroomed among pro-French groups in Algeria since the rebels' announcement on 20 June that they would negotiate in Paris. Thus far, however, the FAF has avoided overt links with the Soustelle organization.

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DISORDERS IN ITALY

Although the widespread anti-Fascist rioting has subsided to what the Italian press calls "a tense calm," the basic

causes for the disorders remain. The Christian Democrats must choose between continuing Premier Tambroni's neo-Fascist -

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supported government--at the risk of polarizing Italian politics--and precipitating a cabinet crisis which in itself could set off further disorders.

Already vulnerable because of the neo-Fascist alliance, the Tambroni government laid itself open to further criticism by its handling of arrangements for a neo-Fascist party congress. The government first acquiesced in the choice of Genoa, a seat of the wartime anti-Fascist resistance, as the site for the congress. Then, in the face of protest demonstrations, the government indicated it would not take steps to protect the congress, even though the holding of the meeting was unassailable from a legal standpoint. The congress was subsequently canceled.

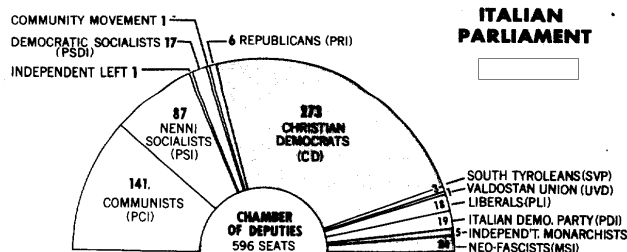
While the existence of the Italian Social Movement violates the spirit of a constitutional provision against the revival of the dissolved Fascist party, the MSI has never been banned. The neo-Fascists will probably continue their sporadic rioting against the Communists, but will be reluctant to overthrow the government and thus lose their present position controlling its tenure.

The Christian Democratic party, although embarrassed by

difficult of solution as the one which caused a two-month gap in government this year. It is not clear, in any case, whether President Gronchi can be persuaded to oust Tambroni at this time.

Nevertheless, some Christian Democrats are fearful of approaching the nationwide local elections this fall under the present stigma. There are some hints that elections may be postponed, or that Monarchist (Italian Democratic party) parliamentary support may be substituted for that of the neo-Fascists. The left-center parties, including the Nenni Socialists, are pointing to the disorders as exemplifying the need for a more representative center-left government.

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Tambroni, is fearful that his sudden ouster would substantiate Communist claims of victory or at best create a crisis as

The Communists, seeking to exploit the nationwide reaction against Fascism as a means to emerge from their own isolation, recapture the Nenni Socialists, and perhaps take control of the entire democratic left, will probably try to promote further disorders. Thus far, they have shown little disposition to try to divert the agitation to NATO installations in Italy, but some new turn of events could lead the Communists

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to revive their campaign of last year against the US missile bases.

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KHRUSHCHEV'S VISIT TO AUSTRIA

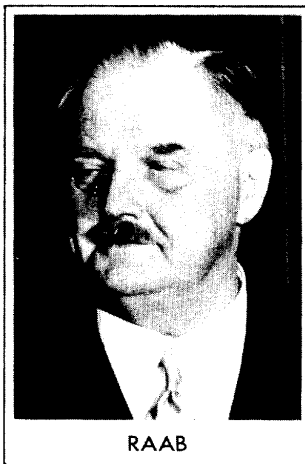
Khrushchev, in his 30 June - 3 July visit to Austria, failed to impress the populace. His abuse of Austrian hospitality by his intemperate attacks on the United States and West Germany embarrassed Austrian officials, who could find little positive to salvage from the "diplomatic wreckage" of the visit. Even the mild Soviet concessions in the accompanying economic talks were criticized by the independent Austrian press as meager compensation for the visit.

Despite careful preparations by the Austrian Communists, rallies for the Soviet premier were sparsely attended. Prominent Austrian officials, including cabinet members of Chancellor Raab's own party, were angered by the chancellor's insistence on accompanying Khrushchev on the tour and his resulting presence during Khrushchev's diatribes against Austria's friends.

After protests from the American and West German ambassadors, Raab apologized in two public statements at the end of the visit, saying he had complained to Khrushchev about the blasts at Adenauer. The cabinet, however, has now balanced out even these weak statements by rejecting the protests and affirming that only Austria could decide on problems relating to its neutrality; in effect rejecting also a Khrushchev pledge made during the visit "not to remain idle" if Austria were attacked.

Soviet-Austrian economic relations were discussed in detail, but Austria's hopes for cancellation of its outstanding oil reparation payments to the USSR were not fully realized.

Instead, Khrushchev agreed to cancel, effective next year, the annual exchange of 500,000 tons of Austrian crude oil for 500,000 tons of Soviet crude oil



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with a higher sulfur content. The Soviet Union also agreed to permit discontinuance in 1964--one year ahead of schedule--of Austria's remaining annual shipments of 500,000 tons of oil to the USSR.

Moscow further agreed to accept other Austrian reparations deliveries--valued at \$25,000,000 annually--as ordinary imports under the new five-year trade pact to be negotiated in September. Khrushchev's speeches and the final joint communiqué made clear, however, that the USSR intends to keep its trade with Austria in balance--which would mean that Austrian imports from the USSR must be almost doubled to match the \$25,000,000 figure.

In addition, Soviet and Austrian officials may have discussed plans to extend the Soviet bloc's oil pipeline from Czechoslovakia to Vienna. Khrushchev inspected a complete oxygen-

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converter-type steelmaking installation--first developed in Austria--during the visit, and Austria may have agreed to sell the USSR one, along with

the technical know-how to build and operate it.
(Prepared jointly with ORR)

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EFFECT OF BEVAN'S DEATH ON BRITISH LABOR PARTY

The issue of who should succeed the late Aneurau Bevan as deputy leader of Britain's labor party threatens to add to the sharp intraparty controversy now raging over Labor's position on defense policies.

Left-wing elements, increasingly dissatisfied with Hugh Gaitskell's leadership of the party, are likely to push the candidacy of Harold Wilson, who is "chancellor of the exchequer" in Labor's "shadow cabinet."

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BROWN



WILSON



CALLAGHAN

Wilson, despite his academic background and his party reputation for unreliability, appeals to the left because he has feuded intermittently with Gaitskell, most recently over the nationalization issue, on which Gaitskell now has backed down.

Gaitskell's problem is accentuated by the imminent retirement from politics of the shadow minister of labor, Alfred Robens, a moderate with a broad following in the trade unions who might otherwise have been a compromise candidate to replace Bevan.

The leading right-wing contender for Bevan's post appears to be George Brown, the shadow defense minister, who has the politically desirable trade union background to balance Gaitskell's "intellectualism," but is probably too moderate to be acceptable to the increasingly aggressive radicals. Another prospective right-wing candidate is James Callaghan, who has gained favorable attention for his parliamentary ability as shadow colonial secretary but who still lacks broad support within the party. All three contenders are in their forties.

Rather than undergo another interparty battle, Gaitskell would probably prefer to select the deputy leader from among the older members who entertain no notion of advancing to the leadership, such as Bevan's predecessor, James Griffiths, now 69. If the Wilson candidacy gains strength, Gaitskell's recent tactics of compromise suggest he would accept Wilson. The party's new defense statement goes far to conciliate the left by incorporating major elements of the program of those advocating unilateral nuclear disarmament. The Gaitskell camp also appears ready to see the party treasurership go to a nominee of trade union leader Frank Cousins, Gaitskell's most powerful critic on defense.

Although Labor's delegation in Parliament--where Gaitskell's position is strongest--will make the actual selection when a new Parliament opens in November, it is probably not strong enough to go against any decided preference for the deputy leadership shown at the party conference in October, when the defense issue will be fought out.

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EAST GERMAN REGIME GROWS MORE AGGRESSIVE

The Communist regime in East Germany, apparently with Soviet backing, is emphasizing in official statements its long-standing goals in the German and Berlin questions: a peace treaty between the allies and both Germanys if possible, a separate treaty with East Germany otherwise, and a demilitarized free-city status for West Berlin. To this end, party

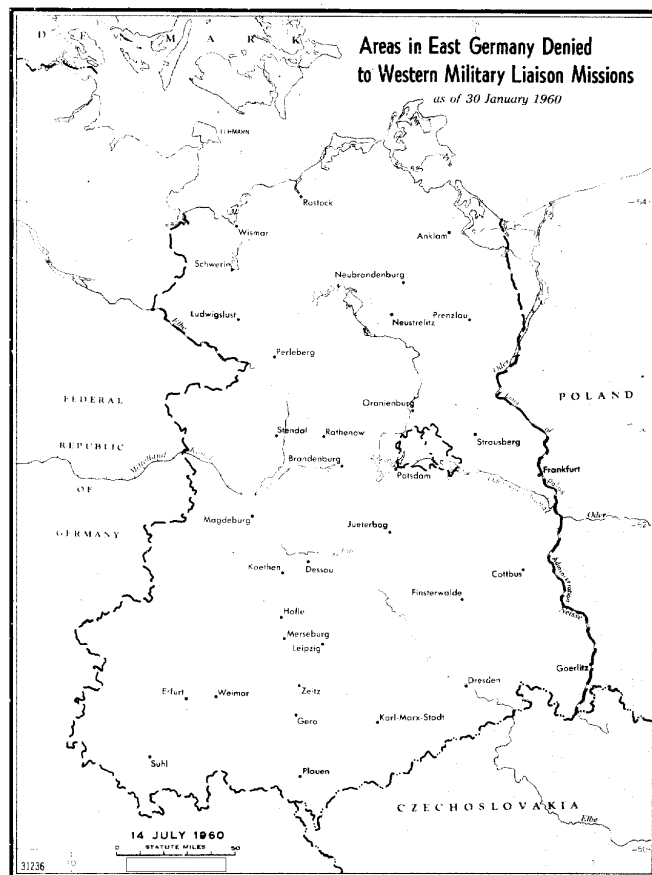
The East Germans have strongly supported Khrushchev's efforts to stop Bonn from holding Bundestag meetings in West Berlin.

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In recent weeks, East German propaganda has been trying to provoke demonstrations against Adenauer by urging West German students and workers to follow the example of the Japanese rioters. Other moves have included a note to the Western Allies protesting alleged recruitment in West Berlin for the West German Army. This was followed by a Soviet note recapitulating the East German charges. TASS has reported the revival of East German proposals for nonaggression pacts with Baltic countries, aimed at making the Baltic a "sea of peace."

Premier Grotewohl and Polish Premier Cyrankiewicz on 6 July celebrated in Magdeburg the tenth anniversary of the treaty establishing the Oder-Neisse line as the Polish - East German border, stressing the theme that "our common frontier against West German militarism is the frontier of the Elbe"--East Germany's

western boundary. In addition, the Ulbricht regime has sharply protested to Bonn against alleged violations of that boundary by West Germans.



boss Ulbricht has launched a campaign of threats designed to back up his claim that East Germany is the only legal German state--an assertion echoed recently by Czech leader Novotny.

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East German police have continued to harass the Western military liaison missions in an effort to force them to recognize a degree of control by the German Communists. Recent developments suggest that Moscow is supporting the campaign.

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As a result of the three most recent incidents on 4 and 5 July, the British commander in chief has temporarily suspended travel by the mission. Soviet authorities have imposed an almost complete ban on travel by the missions for the period 13-21 July. While this action may have been taken primarily for military security reasons, it also has the effect of further harassing the missions. The US and French missions had also been subjected to continued, although less severe, harassment.

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SOVIET AMBASSADORIAL CHANGES

The many transfers and appointments in the Soviet diplomatic service within the past two months, probably part of the normal periodic turnover of the diplomatic corps, are noteworthy for the number of officials transferred to the Ministry of Foreign Affairs from other government departments and high-level party posts. Only two of the eight new ambassadors are career diplomats; three came from party posts, two from other government departments, and one, although already serving in the diplomatic corps, had formerly been a government minister.

The reason for such an influx of outsiders at this

time is not clear, and probably varies from case to case. It may be related, however, to the practice since Stalin's death in 1953 of using the diplomatic service as a dumping ground for men who for one reason or another have become surplus talent in the domestic administration. In many instances to date, such men have been usefully employed in revitalizing and improving Soviet diplomatic activity.

The practice of staffing the top posts in Soviet bloc countries with former party and government careerists has been continued with the assignment of Georgy Denisov to Bulgaria and Vladimir Ustinov to Hungary. Denisov was head of

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the agriculture department "for the union republics" in the party's central staff in Moscow, and Ustinov was party first secretary in Moscow. Neither had been criticized, but Denisov could have been held responsible for some of the difficulties plaguing Soviet agriculture.

Denisov's predecessor had been in Bulgaria over six years and was due for reassignment, but Terenty Shtykov had been in Hungary only a year.

CHRONOLOGY OF RECENT CHANGES IN USSR MINISTRY OF FOREIGN AFFAIRS

21 May 1960	G. A. Denisov replaced Yu. K. Prikhodov as ambassador to Bulgaria.
	I. I. Kuzmin replaced N. I. Koryukin as ambassador to Switzerland.
3 June 1960	S. F. Antonov replaced M. V. Degtyar as ambassador to Afghanistan.
10 June 1960	V. I. Avilov replaced S. G. Lapin as ambassador to Austria.
27 June 1960	D. Rasulov appointed ambassador to Togo.
1 July 1960	N. A. Mikhaylov replaced B. M. Volkov as ambassador to Indonesia.
5 July 1960	V. I. Ustinov replaced T. F. Shtykov as ambassador to Hungary.
7 July 1960	S. M. Kudryavtsev appointed ambassador to Cuba.

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The replacement of Boris Volkov as ambassador to Indonesia was almost certainly an aftermath of Khrushchev's Southeast Asia trip in February. Volkov was sent home during Khrushchev's stay in Indonesia allegedly for ineptness in handling of arrangements for the visit. Volkov was replaced by former USSR Minister of Culture Nikolay Mikhaylov, who had been out of a job since 4 May when Yekaterina Furtseva took over the Culture Ministry. This is the second time Mikhaylov has been "exiled" to diplomatic work. He was for many years in or near the top levels of the party, and then spent a year as ambassador in Warsaw before becoming minister of culture in March 1955.

The new ambassador to Switzerland, Iosif Kuzmin, had also been out of a job before assignment to his diplomatic

post. He was appointed USSR deputy premier and state planning chief in 1957 at the time of the industrial reorganization but lost that job to Aleksey Kosygin in early 1959; he then was appointed chairman of the State Scientific-Economic Council, from which he was fired on 22 April 1960. The former ambassador, who had been in Switzerland only slightly over a year, may have been recalled as a result of Swiss expulsion of two Soviet diplomats in early May on charges of espionage.

Mikhail Degtyar had been ambassador in Afghanistan for seven years and was due for reassignment. His replacement, Sergey Antonov, had been USSR minister of meat and dairy products industry, and during the past two years was chargé d'affaires in Peiping during the frequent and extended absences of the ambassador.

Viktor Avilov, the replacement for Sergey Lapin in Austria,

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is a career foreign service officer who had previously been ambassador to Belgium and then deputy head of the Foreign Ministry's press division. Lapin had left Austria several weeks earlier to take up a new assignment in Moscow as first deputy to Yury Zhukov, head of the State Committee for Cultural Relations with Foreign Countries.

In addition to the transfers, ambassadors were appointed for the first time to the Togo Republic and, after a lapse of over eight years, again to Cuba. Dzhabar Rasulov, the

ambassador to Togo, is a central Asian Moslem and formerly a republic party secretary in Tadzhikistan. The new ambassador to Cuba, Sergey Kudryavtsev, entered the diplomatic service before World War II and most recently was counselor of the embassy in Paris. From 1942 to 1944, when he was first secretary of the Soviet Embassy in Ottawa, Kudryavtsev organized and ran the Soviet atomic spy ring there, and there has been some speculation that his assignment to Cuba may include the direction of espionage activities against the United States.

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POWERS TRIAL STATUS

TASS stated on 9 July that American pilot Francis Powers has been arraigned on charges of espionage. It announced that the State Security Committee (KGB) has completed its inquiry into the case and that the Soviet prosecutor general has referred the indictment to the Military Collegium of the Soviet Supreme Court. This suggests that Powers will stand trial soon, perhaps within the next two weeks.

Powers has been charged with violating Article 2 of the Law on Criminal Liability for Crimes Against the State, which defines espionage by a foreigner or stateless person as the transmission of state secrets to a foreign government or the gathering of intelligence information with the intent of transmitting it to a foreign power. Inquiry into such cases is reserved to the KGB, and the secret police may hold the accused for a pre-trial investigation period of two months; this period can be extended up

to nine months with the permission of the "proper authorities."

The referral of the indictment to the Military Collegium of the Soviet Supreme Court makes it virtually certain that Powers will be tried by that body. Under Soviet law, all espionage cases are heard by courts-martial, and the Supreme Court can sit as a court of first instance in "especially important cases."

The Kremlin might well see considerable propaganda advantage in staging a show trial. Several Soviet spokesmen, including First Deputy Premier Mikoyan, have asserted that the trial will be public, and Soviet propaganda has emphasized that it will serve as a warning to war provocateurs. A public trial before the Soviet Union's highest military tribunal, replete with the solemn trappings of post-Stalin "socialist legality," might therefore be used as a forum for further attacks on

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the United States. In such an event, the prosecuting attorney is likely to be Roman Rudenko, the prosecutor general and former chief Soviet attorney at the Nuremberg war crimes trial.

Powers can be sentenced to death or to a prison term of seven to fifteen years. The severity of the sentence, however, is determined by the court on the basis of any mitigating circumstances, among which are confession and the conduct of the accused. The alleged text of Powers' confession was displayed at the U-2 exhibit in

Gorky Park in Moscow, and some Soviet spokesmen have stated that his conduct has been "good." Under the terms of the law, a person convicted of a crime against the state becomes eligible for parole after serving two thirds of his sentence.

Khrushchev stated at a recent press conference that Powers will "probably" be tried separately from the two crew men of the RB-47 aircraft downed on 1 July.

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PEIPING AND TAIPEI MANEUVER FOR RECOGNITION IN TROPICAL AFRICA

Communist China, by securing Ghana's agreement on 5 July to exchange ambassadors, has received an endorsement from a leading African neutral at a time when four new African states--Mali, the Congo, and the Malagasy and Somali republics--face the question of Chinese recognition. Ghana, the second African nation, after Guinea, to accept Peiping's diplomats, claims to have inherited from Britain its recognition of the Communist regime. Although Ghana apparently made no move to solicit diplomatic ties, its foreign minister told the American ambassador three months ago that envoys would be exchanged if requested by Peiping.

The African states are important to Communist China's long-term effort to build a strongly pro-Peiping bloc among the underdeveloped nations. As an inducement, Peiping will probably agree to participate in their economic development programs.

The Chinese Communists have used a variety of appeals to advance their position in Africa. African nationalists

are feted in Peiping and occasionally given funds for propaganda activity. Guinea is receiving technical assistance to increase its rice yield, and recently has been given 10,000 tons of rice. Peiping, which is represented on both the Afro-Asian People's Solidarity Council and the Afro-Asian Economic Organization, this year maneuvered to increase its power in these bodies.

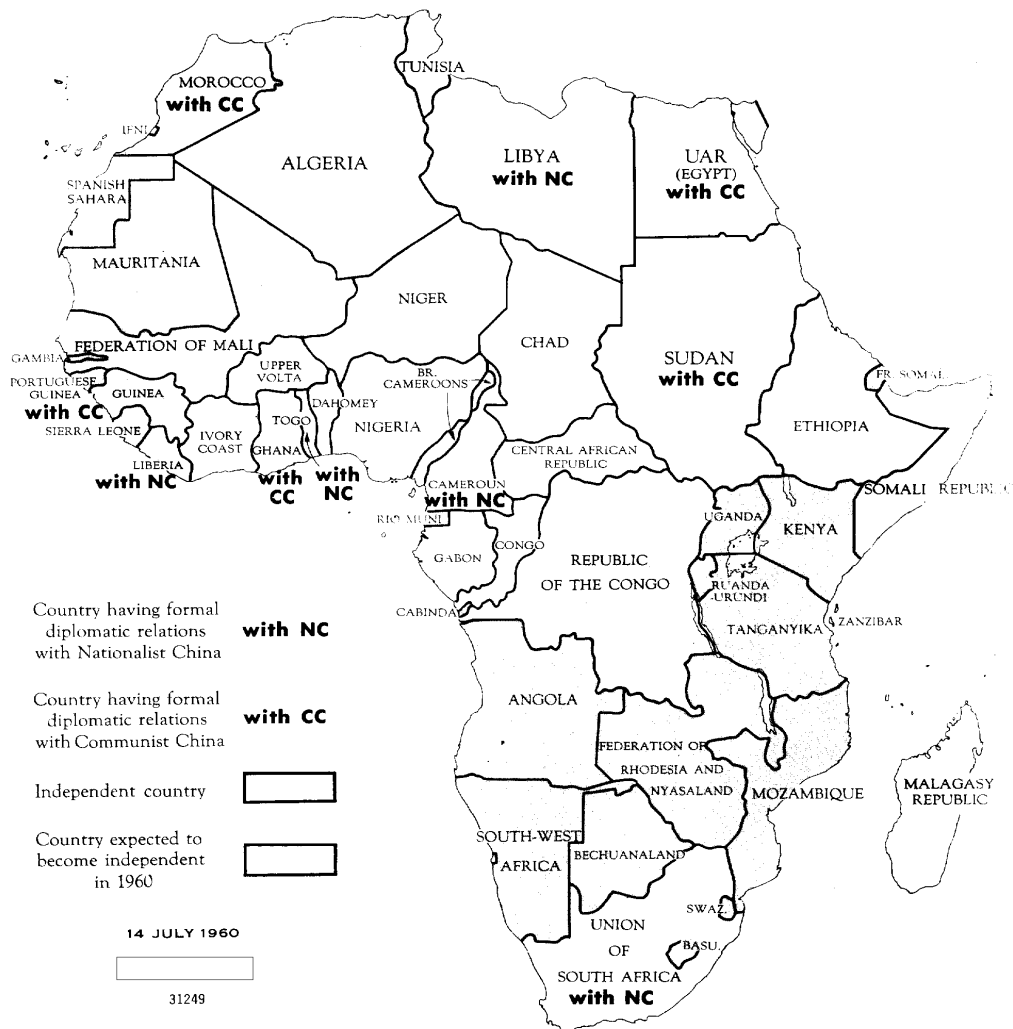
In its propaganda, Communist China pledges support to those Africans still engaged in the "anticolonial struggle" and exhorts the newly independent states to "uphold" their recent independence by resisting "neocolonialism," which the Chinese equate with the US economic presence in Africa. Peiping, in fact, has tried hard to inject its own animosity for Americans into the "liberation movement" and at present is accusing the United States of trying to suppress the Congo mutiny, which Peiping termed a "just struggle."

While Peiping's efforts have impressed many Africans, all the spoils have not fallen to the Communists. Taipei, which has

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recently stepped up its own diplomatic campaign in Africa, is recognized by Liberia and Cameroun, and by Togo, which agreed to establishment of a Chinese Nationalist embassy at the same time Communist China was extending recognition to the new republic. Peiping, despite its bitter opposition to "two Chinas," has not withdrawn recognition of Togo, nor has it failed to recognize the Malagasy Republic, where the Chinese Nationalists already have a consulate general and feel certain of getting an embassy.

Taipei, which plans trade and technical aid offers, also appears confident of recognition by the Somalis. It has announced diplomatic relations with the Mali Federation, but there has been no confirmation from Dakar, where some officials hope it will be possible to recognize both Chinas. Although the Chinese Nationalists, unlike the Chinese Communists, were invited to the independence ceremony in the Republic of the Congo, they are less assured of success there.

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SOMALI REPUBLIC

The selection of Abdirascid Ali Scermarche as premier-designate completes the roster of top officials of the new Somali Republic and ends much of the uncertainty that has existed since the new state became independent on 1 July. Abdirascid's selection should strengthen pro-Western forces and at least delay Mogadiscio's agreement to closer relations with the Sino-Soviet bloc. The premier-designate, who is a leading Darot tribesman from the former Somali area, lacks executive experience and did not hold a ministerial position in the previous Somalia government.

The new Somali Republic--comprising the former British Somaliland protectorate and the Italian-administered trust territory of Somalia--has been threatened with disintegration because of disagreement over the distribution of political influence and arrangements for military forces and their British and Italian advisers. A riot instigated by an extremist opposition party led to bloodshed in Mogadiscio on 1 July.

At present, however, the republic appears to have weathered its first storm as an independent state. The legislative assembly with little opposition elected Aden Abdullah Osman, revered leader from Somalia, president. On 7 July, the more controversial post of assembly president was won by Jama Abdullahi Kalib from the former British area, thereby satisfying regional demands for political influence and easing the way for the subsequent more important election of the prime minister. The former prime minister of Somalia, Abdullahi Issa Mohamud, who had stirred up tribal opposition and religious anger by his maladroitness in handling

an invitation for Israel to attend the independence celebration, lost to Abdirascid Ali Scermarche.

Abdirascid is a fervent Moslem and ideologically opposed to Communism. He is likely to delay the establishment of diplomatic relations with the Communist bloc nations and will hesitate to accept offers of economic assistance. However, his political inflexibility is likely to cause him political difficulties, particularly if the experienced Abdullahi Issa, who holds no major office, mends his political fences.

The new government of this poverty-stricken area must immediately tackle the problem of foreign relations and economic assistance. Border troubles with Ethiopia are a persistent problem. Negotiations with Italy have not been successfully concluded because of Mogadiscio's objections to Italian control over some budgetary expenditures and the management of Italian technical advisers. Nevertheless, the republic's leaders are reluctant to accept assistance from the Communist bloc.

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MOROCCO

King Mohamed V continues to maintain a precarious balance between Moroccan political factions. The principal target of left-wing criticism, Crown Prince Moulay Hassan, as deputy premier largely responsible for routine governmental affairs, is maneuvering to consolidate conservative and military backing for the monarchy.

The King seems to have quietly permitted the legalization on 4 July of a rightist-sponsored labor union. Four ministers who were reported intent on resigning if the organization were legalized apparently have not done so. The new union was formed in an attempt to win grass-roots labor support away from the Moroccan Union of Labor (UMT), which is the base of the strength of the leftist National Union of Popular Forces (UNFP).

The UMT and UNFP apparently have decided to take no immediate retaliatory action against the rival group. The King also backed his administration's attempt to reduce the growing strength of the left by invalidating on charges of fraud the 8 May election of the Casablanca Chamber of Commerce and Industry in which the UNFP and UMT won all seats.

On the other hand, the King has made several significant gestures toward the left since assuming personal responsibility for governmental affairs seven weeks ago. He has sought to stifle the criticism of the UNFP, which refused to partici-

pate in his cabinet, by endorsing in toto the program of the pro-left Ibrahim government which he dismissed in May. Leftists imprisoned for an alleged plot to assassinate the crown prince have been released without trial, a move which casts doubt on the validity of the original charges.

Sure of its strength in major industrial centers on Morocco's west coast, the UNFP is now concentrating on building up a following in the Moroccan interior, where it was weakest in the communal elections of 29 May. It is also openly demanding a popularly accepted constitution, as opposed to one imposed by the King. A leading UMT official has sharply criticized in private the King and the monarchic establishment. Such views have not yet been expressed openly by leftist leaders.

The replacement of Mohamed Laghzaoui, former director of national security who is close to the King, and the subordination of Laghzaoui's well-disciplined force to the Ministry of the Interior--long-sought goals of the left--may reduce the effectiveness of this force as a mainstay of the King's power. A clash of views between Laghzaoui and the crown prince apparently instigated the change. The prince, having won his point, can be expected to attempt to reorient the loyalty of this force to himself rather than to his father. The force probably will also become a major target for leftist indoctrination.

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PROSPECTS FOR CEYLON'S NATIONAL ELECTIONS

Ceylon's national elections on 20 July are unlikely to resolve the political stalemate which resulted from the elections last March, when no single party won a majority in Parliament. In terms of vote-getting ability, the moderate-socialist Sri Lanka Freedom party (SLFP) and the relatively conservative United National party (UNP) appear about evenly matched, with the UNP pos-



Mrs. Bandaranaike campaigning.

sibly holding the slight edge it won last March.

The SLFP has a theoretical advantage as a result of its electoral agreement eliminating competition with the Trotskyite and the orthodox Communist parties. If voting follows the March pattern, the agreement could cut the UNP's 50 seats by as much as eight or ten. The SLFP also has in its favor the continuing personal campaign of Mrs. Bandaranaike, the late prime

minister's widow, whose emotional campaigning in March revived some of the pro-SLFP sentiment inspired by Bandaranaike.

The UNP, however, departing from the pedestrian themes of its March campaign, is vigorously exploiting two important issues--the Singhalese-Buddhist community's deep prejudice against the Tamil-speaking minority, and the role of local Communists. The party's charge that the SLFP has a "secret pact" with the Tamil Federal party may have weakened the SLFP's solid hold in the rural Singhalese areas, which are particularly anti-Tamil.

The three-party electoral agreement has given the UNP grounds to accuse the SLFP of being a front for the Marxists. This charge was reinforced by a much-publicized meeting on 15 June between two Trotskyite leaders and the Soviet ambassador. The incident has forced SLFP leaders to make defensive statements revealing their conflicting interests. Some have emphatically denied any plans for post-election cooperation with the Marxists, while others have proclaimed that the party will form a "government with Marxist support."

Continuing press speculation on international Communist efforts to "merge all Marxist forces" in Ceylon may arouse latent suspicion of Communist methods and intentions, although it is not clear whether discussion of this issue has reached enough voters to affect election trends. In addition, popular reaction against the worn-out campaign slogans and repeated charges and countercharges may cause voters to vote solely on the basis of local personalities.

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SINO-INDONESIAN DISPUTE HEIGHTENED

Sino-Indonesian tensions have been sharpened by an incident in the West Java town of Tjimahi on 3 July in which two Overseas Chinese women were shot and killed while demonstrating against Indonesian Army efforts to force Chinese residents into repatriation staging areas. Chinese Communist Ambassador Huang Chen on 4 July lodged a strong protest with Djakarta, demanding punishment for the "murderers," payment of compensation, and an end to forcible resettlement. In a note a week later Peiping demanded an "open apology" and that measures be taken "at once" to prevent a recurrence. Such incidents, it said, have "seriously affected" Sino-Indonesian relations.

On orders from the Chinese Embassy, Chinese shops in the Bandung area closed on 4 July to protest the killings. On the mainland, returnees from Indonesia--numbering over 40,000 in 1960--have staged indignation rallies in the course of which their compatriots still in Indonesia were assured of the "powerful backing" of Communist China. If the Indonesian reply to the Chinese note is unsatisfactory, Peiping may order a closure of Chinese-operated shops throughout Indonesia. Such action, if carried out, would have a crippling effect on retail trade.

The Chinese Embassy is believed to have organized the Tjimahi demonstrations. Peiping claims the incident was "deliberately created" by Indonesia, and that the Indonesian version of the affair--that troops were forced to fire on an attacking crowd of Chinese--was an "out-and-out falsehood."

Peiping's protests culminated a month of increasingly

vigorous propaganda attacks prompted by the resumption of forcible removal of Overseas Chinese from rural areas of West Java. The Chinese Communists view the revival of forced evacuations as a breach of promise, asserting that Indonesian Foreign Minister Subandrio had stated in March that the program was terminated. The Chinese, charging American connivance, claimed that US Embassy personnel have been active in areas in which forcible evacuations have been resumed.

The Indonesian Government appears apprehensive over the effect of the Tjimahi incident on its relations with Peiping. The government has imposed strict censorship on press reporting of the affair and, beyond official statements on 4 July which sought to explain what had happened, has made no further attempt to justify the action of Indonesian troops.

Although the government asserts that the "obstinate behavior of the Overseas Chinese" brought on the incident, an army spokesman has announced that the cabinet is taking steps toward a "proper settlement of the affair" and is preparing a statement expressing regret. Indonesian Army troops reportedly have surrounded the Chinese Embassy in Djakarta, apparently to protect embassy personnel from demonstrations that have allegedly been planned.

Djakarta's conciliatory attitude indicates that it will meet at least some of China's demands related to the Tjimahi incident, unless Peiping takes action in the near future which Indonesia considers unduly provocative. Djakarta may even try to improve the processing of the Overseas Chinese.

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PART III**PATTERNS AND PERSPECTIVES****RECENT SOVIET-JAPANESE RELATIONS**

Soviet involvement in the recent Japanese political crisis marks a tactical shift in Moscow's policy toward the Japanese Government. Prior to the summit failure, the USSR had made a point of refraining from associating itself with the internal political situation in Japan. Afterward, the Soviet Union pursued a policy which resulted in virtual open support of elements demonstrating against Prime Minister Kishi's handling of the US-Japanese security pact. Moscow's actions also served to reaffirm to the world the change in Khrushchev's line regarding the President.

Moscow's Change of Policy

During President Eisenhower's tour last December, Moscow in its campaign for detente urged various Communist parties and front groups to avoid demonstrations and even to participate in welcoming the President as a partner in creating a new era of international relations.

For the past two months, however, Moscow has been seeking to capitalize as quickly and as effectively as possible on the radically new circumstances precipitated by the U-2 flight and the summit collapse. The timely conjuncture of events focused attention on Japan. The President's scheduled trip to Tokyo, Kishi's increasing unpopularity symbolized in violent opposition to the US-Japanese security treaty, and the presence of U-2 bases in Japan were all ripe for Soviet exploitation. Through a series of well-timed diplomatic and propaganda maneuvers warning of the implications for Japanese security, Moscow was able to assist Communist and leftist

organizations in forcing cancellation of the President's visit, and the subsequent announcement of Kishi's resignation.

Soviet-Japanese relations had actually reached a turning point when the US-Japanese security treaty was signed on 19 January 1960. Both Moscow and Peiping had long considered Japan a principal target in Asia, and the USSR had used an extensive and sustained campaign of threats, inducements, and propaganda agitation in an effort to influence Tokyo to adopt a more neutralist position. Standard themes were offers of massive trade agreements and a more liberal fishing treaty, and mention of the possible return to Japan of the Russian-held Habomai and Shikotan islands off Hokkaido. After the treaty was signed, however, Moscow on 27 January formally withdrew its pledge to return the islands--a pledge conditioned on the conclusion of an eventual Russo-Japanese peace treaty.

A subsequent series of diplomatic notes to Japan implicitly recognized the forthcoming treaty ratification struggle as a critical period in Japanese relations with the West. During the remaining months, both the USSR and Communist China continued their "hard" policy toward the Japanese Government in the hope of eventually preventing the treaty's ratification. Moscow, while making no attempt to advocate Kishi's overthrow or even to offer support for the anti-Kishi rioters, usually timed its notes to take advantage of scheduled demonstrations against the treaty.

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Apparently caught unaware by lower house ratification of the treaty on 20 May, the USSR sought to stimulate violent demonstrations by radical students and labor groups with a strongly worded note delivered the same day. Moscow bitterly attacked Kishi and cited the presence of U-2 aircraft in Japan as proof of his cooperation with American forces in "war preparations" against the Soviet Union.

The timing of the ratification assured the treaty's final adoption on the day scheduled for the President's arrival in Tokyo. Facing this diplomatic setback to its long-term efforts to force Japan into a neutralist posture, and fearing the prospect of a major Western propaganda gain in the President's visit, the USSR embarked on an all-out attempt to discredit Kishi's policy and force a postponement of the President's trip.

This decision was dramatically voiced by Khrushchev during his speech to a labor conference in Moscow on 28 May. In the first official statement from the USSR commenting explicitly on the domestic political crisis in Japan, the Soviet premier said:

"It is no accident that the voice of the people is resounding with growing volume in Japan --people who have risen to the struggle for the independence of their



Demonstrators Before Diet Building

homeland, for the creation of a government which would really meet the interests of the Japanese people and would be guided by them in its activities."

Khrushchev also referred to a 26 May demonstration which he said "protested the visit by President Eisenhower to Japan." While subsequent Moscow radio and press commentary did not immediately associate the Tokyo demonstrations with opposition to the President's forthcoming trip, it is almost certain that, following the U-2 episode and the summit debacle, Khrushchev decided to lift all previous restraints that would have limited the scope of Communist

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party demonstrations against the President.

Japanese Communists and USSR

The Japanese Communist party at first avoided a conspicuous public role in the struggle to block ratification of the treaty. The Communists, avoiding any unilateral move that would be too far out of step with public opinion, carried out their activities within various groups, including the pro-Communist labor organization Sohyo and the People's Congress Against the Revision of the US-Japanese Security Treaty. The radical student federation Zengakuren, over which the Japanese Communist party had lost control in July 1958, pursued a more violent course of action.

In assuming the leadership and initiative of the anti-US movement, relegating other organizations to the background, the Japanese Communist party succeeded in changing the character of the demonstrations so that opposition to the President's trip became the leading issue. This was a radical departure from an earlier pre-summit warning on 14 May by the party's secretary general to avoid any rash incidents during the visit and to guard against identification with more violent acts by the main wing of Zengakuren.

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Demonstration on the Ginza in Tokyo

While Moscow was reluctant to attribute leadership of the movement to the Communist party, constant references were made to the new direction the Japanese people were taking in their "liberation" struggle. The party itself was careful to identify the demonstrations with the mass movement of the Japanese people against the security

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treaty. In view of the strong opposition among certain Japanese leftist groups to violent tactics, any emphasis on the party's leading role in the riots would almost certainly have hampered its future activities within Communist-directed front groups.

ceived additional support from the Soviet Union on 15 June. On that date, the USSR addressed another note to Japan attacking the security treaty and forecast great calamities for Japan if it continued its present policy. The same day, Japan formally withdrew the invitation to President Eisenhower.

Prospects

The USSR will probably maintain its pressure on Japan, publicly supporting pro-Communist movements as demands for dissolution of the Diet and new elections increase. In light of the U-2 incident and its implications for the pro-Western countries in which the United States maintains bases, Moscow may feel that past developments in Japan have already seriously impaired the value of the security treaty as a significant factor in US-Japanese relations. Nevertheless, the Soviet Union will continue to maintain that its abrogation remains a necessary condition for an improvement in Soviet-Japanese relations as well as a sine qua non for the conclusion of a peace treaty with the USSR.

Japanese Communist party leaders played a vital role in directing the riots attending Press Secretary Hagerty's arrival in Tokyo. Encouraged by the impact of these demonstrations, Moscow sharply increased its propaganda coverage of the political struggle and directly linked the riots to Eisenhower's visit. Succeeding demonstrations, sparked by Communist party members who delivered harangues against the President and the United States, re-

The Japanese Communist party can be expected to continue demonstrations on a smaller scale within front organizations and to intensify leftist electioneering as demands grow for new elections.

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PEIPING'S "SERIOUS WARNINGS"

Peiping apparently intends to continue to add to the long list of "serious warnings" it has issued to the United States since September 1958 protesting "intrusions" of Chinese Communist territory. Despite the fact that the more than a hundred warnings could be construed as demonstrating Com-

munist China's military weakness, Peiping probably views them as a necessary part of its long-term controversy with the US and the Chinese Nationalists. Peiping would regard American tacit acceptance of its unilaterally proclaimed 12-mile zone of territorial waters as reinforcing its legal position,

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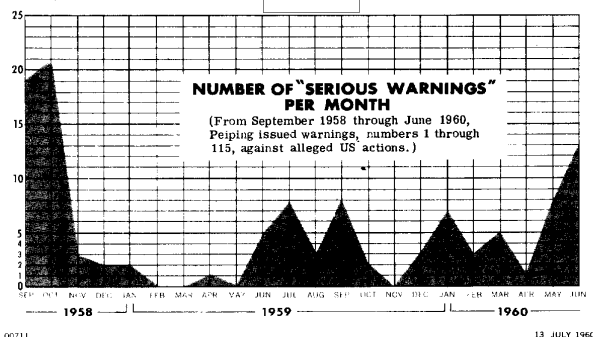
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particularly to its claim to the Nationalist-held offshore islands, which are well within 12 miles of the mainland.

The Communists also find their warnings a useful device for pointing up American "provocations" and in "proving" that the United States, not China, is responsible for tension in the Taiwan Strait area. Following the U-2 incident and the summit collapse, Peiping stepped up the pace of its warnings. In commenting on the 100th warning, issued on 26 May, the official People's Daily stated that "violations" had nearly doubled in the past year.

People's Daily claimed that American reconnaissance planes had flown over the mainland, and other Chinese press commentary compared these flights with the U-2 flights over the USSR. In 1958, Peiping had issued warnings on 10 September, 22 October, and 6 December charging that flights over Chekiang, Fukien, and Kwangtung provinces were made by American "U-2 aircraft."

The first 40 "serious warnings" came in quick succession following Peiping's claim in September 1958 during the Taiwan Strait crisis that the United States was openly threatening to "expand aggression" against the mainland. Following this sustained burst, the warnings appeared sporadically, with occasional gaps of a month or more between them. This pattern changed again when 16 warnings were issued in the 30 days following the 97th warning on 22 May 1960.



The newspaper went on to make two basic points regarding Peiping's view of the international situation. It stated that "whether peaceful coexistence is attainable or not is determined not only by us, but also by the US imperialists"--suggesting that Peiping's hostility toward the US will not change. On the matter of the cold war, People's Daily contradicted Soviet statements by insisting that American "intrusions proved the ice has never thawed," and reaffirmed the basic Chinese position that "only by fully exposing US imperialism and waging a resolute struggle against it" can world peace be maintained.

The Chinese Communists have never issued a "serious warning" to any other nation. Movements inside Peiping's claimed waters by Burmese and British naval vessels, however, have led the Communists to send formal notes of protest. Although Chinese Nationalist aircraft and ships operate daily inside the claimed 12-mile limit, Peiping, which regards this situation as part of the "civil war" and an "internal matter," has never charged the Nationalists with "intrusions."

Hong Kong Area

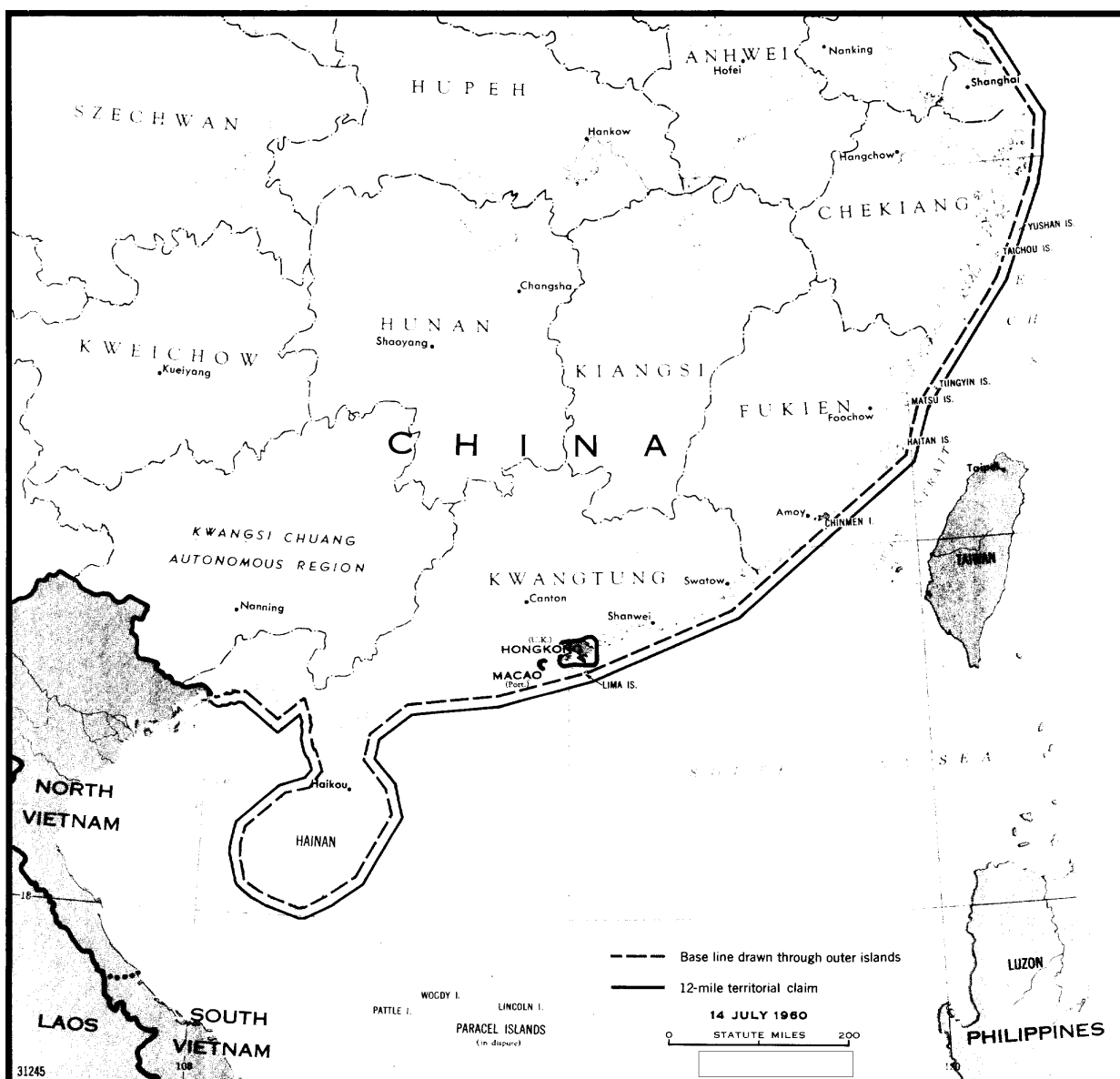
Nine of the recent warnings have involved either US aircraft, both commercial and military, flying near Shanwei (Swabue) peninsula--roughly 60 miles

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northeast of Hong Kong, near the colony's air approach--or US warships operating near the Lima Islands south of the colony. Only occasional warnings for this area had previously been issued, although Chinese-claimed waters extend as far as 30 miles to sea at some points near Hong Kong.

Peiping began last March to make more precise its territorial claims to the waters surrounding Hong Kong. The British, to avoid publicizing new Chinese Communist restrictions, and stimulating a possible showdown, modified the pattern of vessel movements in colony waters, including the



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movement of ships between the colony and Canton.

The Chinese Communists may hope that the increase in warnings to the United States will cause the British--already sensitive to Communist claims concerning waters surrounding the colony--to prevail on Washington to alter the course of American aircraft flying to and from Hong Kong. The Communists could claim that modification of the flight pattern by American aircraft was in effect tacit recognition of their claims.

Paracel Islands

Since 11 May 1960 an unusually high number of protests have been directed against US overflights of the Paracel Islands in the South China Sea. The warnings concerning the Paracels apparently stem in large part from the Communists' desire to underscore their claims to the islands, which are also claimed by Nationalist China and South Vietnam. Communist China asserted its sovereignty over the islands shortly after coming to power and in 1955 established a permanent colony there. The Chinese Communists now have land-based radar on the islands, [redacted]

Radar may well have provided Peiping with a new basis for accelerating the pace of its warnings.

Other Areas

During the Taiwan Strait flare-up in 1958, 18 of the first 40 warnings issued concerned the Chinmen area. At that time, US naval and air units were operating in the general area. Peiping has issued no warning concerning that area since late October 1958.

Warnings covering the Hainan, Matsu, and Tungyin islands have continued since 1958. About 60 of these appear to have

been in response to very slight penetrations of the Communist-claimed 12-mile limit by patrolling American naval vessels.

Peiping has thus far issued six warnings charging that American naval aircraft had intruded over the Yushan and Taichou islands off the Chekiang coast.

Peiping's Intentions

The Chinese leaders would credit themselves with an important victory were their warnings to result in abandonment of US patrol operations inside the "12-mile limit."

The Communists have made it clear they will stop their warnings only after US "intrusions" are halted. Following a series of warnings during October 1958 concerning part of the Matsu Islands area, Peiping's protests ceased promptly after the American patrolling pattern was altered.

The warnings will continue to serve the Chinese as a "record" to document their "struggle" with the United States. Indicating that they are deliberately controlling the frequency of some warnings, the Communists have stated that a warning has not been issued for each "violation." People's Daily on 26 May stated that during the period of the first 100 warnings, 181 US naval craft had "intruded" on 88 occasions and 242 naval aircraft had overflown Chinese territory on 68 occasions.

The recent high level of the "serious warning" campaign has tapered off. The "record," however, will continue to be cited in propaganda commentaries directed to the Chinese people to demonstrate that the United States is their "greatest enemy" and to the people of the whole world, who "must have no unrealistic illusions regarding the nature of American imperialism." [redacted]

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RECENT ACTIVITIES OF ITALIAN OIL CHIEF MATTEI

The petroleum agreement recently concluded between the government of Tunisia and ENI, the Italian fuel agency, has intensified the running fight ENI's chief, Enrico Mattei, is waging with the major international oil companies and reflects the same aggressiveness with which he has sought business deals with the Soviet bloc. Lack of effective government control has permitted Mattei to build up an extensive economic domain which gives him unique power in Italy.

The government had originally appointed Mattei to liquidate certain residual state interests in the petroleum field, but he immediately launched grandiose expansion schemes in defiance of Rome's orders to desist. The discovery of enormous deposits of natural gas in the Po Valley in 1946 vindicated his stand and led eventually to the creation of ENI, which now includes more than 50 companies and is still growing.

Mattei, who has closely linked the fortunes of the fuel agency with his own prestige, has pushed ENI into the fields of refining, distribution, and the manufacture of various products in the petrochemical field, e.g., synthetic rubber and fertilizer. The marketing of gasoline, through its subsidiary AGIP, has put ENI into the filling station and motel business. Similarly, oil extraction has led ENI into the construction of drillings rigs and control of Italy's largest tanker fleet.

A many-sided ENI project that may have considerable impact on the Italian economy is one based on oil resources at Gela, Sicily. Gela oil is of

relatively poor quality, but Mattei intends to turn this to advantage by converting its sulfur content (8.16 percent) into fertilizer. As part of the same project, he plans to



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enlarge a local airfield and build new port facilities, a hotel, and workers' housing, making this chronically depressed area "the richest spot in the Mediterranean."

Battle With "The Cartel"

Italian oil production--1,700,000 tons in 1959--is less than a tenth of domestic consumption, 26,500,000 tons, in 1959. Mattei sought to create a place for ENI among Italy's foreign suppliers by associating himself with the major international oil companies, but his efforts to do so were, according to his own version, rudely rebuffed. Mattei's response was to set up a joint oil company with the Iranian Government in 1957, giving the latter more favorable terms than the traditional 50-50 profit split. This episode marked the beginning of the continuing enmity between Mattei

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and what he refers to as "The Cartel."

This enmity reached the stage of "all-out war," according to Mattei, in January 1959, when a group of the major oil companies announced plans to build a pipeline into southern Germany. Mattei says he thought of it first, his idea being to service a refinery he would build in Switzerland on a trans-alpine pipeline which would extend into Bavaria. Only a token section of Mattei's line has been laid so far and its future is uncertain. Opposition has developed among certain private Swiss interests--rail, shipping, and marketing--which foresee in the proposed line a loss of income.

The conservative Milan financial newspaper 24 Ore has attacked the plan, arguing that to pump oil a mile high is too costly. Mattei, however, paints a glowing picture of its advantages to Italy, with 400 oil tankers a year calling at the port of Genoa to discharge some 13,000,000 tons of crude oil. An ENI subsidiary, Suedpetrol AG, has bought some 400 acres at Ingolstadt, Bavaria, where it will begin construction of a terminal refinery this year.

Price War in Italy

Mattei seems to be pursuing his attack on the international oil companies by cutting prices in an attempt to make their sale of gasoline unprofitable in Italy. His only comment when queried on the point was that if he was losing money on gasoline, the international companies were losing even more. He apparently wants, however, to prevent any drop in the price of fuel oil, to which the price of natural gas is equated by law. In this way, he can continue to draw

on his virtual monopoly of natural gas resources in Italy to provide the means for risky, or at least at the outset unprofitable, ventures.

Some of the large anti-Mattei companies of Italy's industrial north regard ENI's natural gas enterprise as one of the chief props of his power, and in the hope of undercutting him they are studying a plan to pipe African natural gas across the 90 miles of the Mediterranean Sea between Tunisia and Sicily and on up the peninsula.

ENI Flirtation With the Bloc

Mattei's determination to establish himself as a peer of the international oil companies has led him to concentrate on those parts of the world where the older companies are not so well established: the underdeveloped countries of Asia and Africa and the Soviet bloc. The Soviet Union, by offering large quantities of crude oil at low prices, supported ENI against the private companies. Italian crude imports from the USSR, which have risen sharply since 1955, amounted to 2,300,000 tons in 1959. The trade protocol for 1960 calls for 2,500,000 tons; as in the past few years, actual imports will presumably exceed this amount.

The deputy director of the economic affairs branch of the Foreign Ministry said Mattei had informed him that the USSR had offered ENI 38,000,000 tons of crude over the next four or five years at a substantial discount. Mattei, however, shares the now common world problem of an excess of oil, with production rising at ENI's wells in the Persian Gulf and on the Sinai Peninsula. The means of payment is also a problem, although ENI has in the

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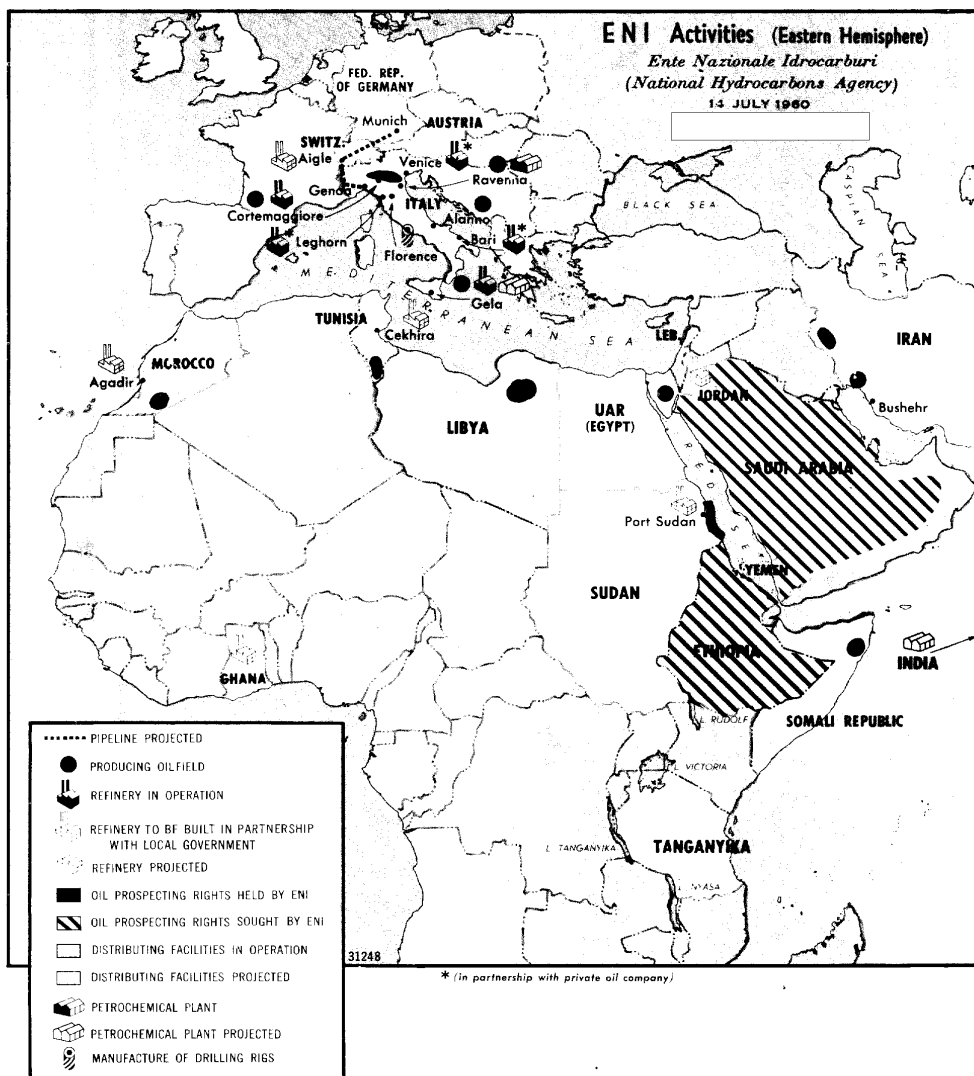
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past contributed to payment for Soviet imports with synthetic rubber from ENI's plant at Ravenna.

The minister of state holdings, ENI's nominal superior, "understood" in January 1960 that ENI would build a pipeline through Poland and Czechoslovakia to the USSR in payment for deliveries of Soviet crude, but all subsequent reports portray ENI as having less and less to do with any Eastern European

pipeline. Mattei's sense of frustration in his dealings with the international oil companies may be leading him into deeper involvement with the bloc than he would otherwise, as a good Christian Democrat, be inclined to go. He has reportedly threatened to establish a central purchasing system under ENI control of all crude oil imports, an increasing part of which would come from the USSR.



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ENI has done some business with Communist China, but apparently not to the extent the company hoped. Mattei traveled there in late 1958.

ENI in Near East and Africa

ENI men, and frequently Mattei, have visited almost every country of Africa and the Middle East where oil might conceivably be found or sold, and in almost every case--so Mattei believes--against the direct or devious opposition of the international oil companies. The Italian Foreign Ministry has on occasion echoed his line that there is a conspiracy of the big companies to block ENI.

In Sudan, Morocco, Ghana, and Tunisia, ENI has outmaneuvered the big companies in obtaining exploration rights, contracts for the construction of refineries, or other business. The local governments generally find it difficult to resist ENI's offer of more than half the profits and an oil refinery for no money down. Beyond this, Mattei appears to have a special knack for convincing local authorities that he is attentive to their needs and will give them a square deal.

This is in contrast with the attitude sometimes shown by representatives of the older companies, who tend to favor the status quo and are dilatory in their response to proposals of the local governments.

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During the latter part of 1959, the government of Tunisia became interested in the construction of a refinery. In January 1960, the Tunisian minister of industry told the American ambassador that the traditional distributors had talked about their willingness to make a deal, but had done nothing, whereas ENI had put forth some very specific and attractive proposals. Later, specific proposals were made by the companies, headed by Esso, but they were unwilling to gamble to the same extent as Mattei on a large increase in petroleum consumption within Tunisia. Mattei intends to help bring about this increased consumption by building a chain of filling stations and motels there.

On 10 June ENI signed contracts providing for the construction of a million-ton refinery in Tunisia and for joint Italian-Tunisian exploration. The Tunisian Government will receive title to half of any oil discovered plus half the profits of the Italian exploration company. The projects are of particular interest to the Italian Government in that they can be expected to provide employment for a large number of Italian nationals residing in Tunisia.

Mattei in Italian Politics

The question naturally arises whether Mattei, in spreading his resources so thin, is

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acting as a shrewd and far-sighted investor or whether he is irresponsibly throwing around public funds for the greater glory of himself and ENI. It is doubtful that the Italian Government itself could answer this question. Mattei has established himself as something of a sacred cow, and keeps his balance sheet close to his chest. [REDACTED]

[REDACTED]

No one has accused Mattei of trying to enrich himself at public expense. He enjoys power and probably gets a patriotic satisfaction out of heading the organization that in a few years' time has changed Italy from a country almost wholly dependent on fuel imports to one that produces a substantial amount of fuel within its own borders and has become the center of at least a small petroleum empire. [REDACTED]

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